



WASHINGTON STATE DEPARTMENT OF
Natural Resources
Doug Sutherland - Commissioner of Public Lands

How to Lease Washington State Trust Lands for Agriculture or Grazing

More than one million acres of state trust lands managed by Washington State Department of Natural Resources (DNR) are under lease or range permits for agriculture and grazing production. Leases are awarded to applicants who will optimize the short-term and long-term return to trusts, based on a market value assessment that considers such factors as crop options, soil type, and water availability. Rents are collected as cash per acre, per unit (such as bin, or ton), as a percentage of the crop, or a combination for agricultural leases. Grazing leases or permits are evaluated for carrying capacity and pay a rate per Animal Unit Month (AUM). These rates may be adjusted to the current market rate periodically throughout the term of the lease.

LEASING STATE TRUST LANDS

Leasing state lands not currently under lease

Application forms are available at DNR region offices and on the program webpage. Completion of the application and payment of the required fee starts the leasing process. If DNR determines it is in the trusts best interest to lease the parcel, a proposed lease document will be created and the lease will be put up for public auction.

Leasing state lands that are currently leased

There are two ways to obtain a lease for state lands that currently have a lessee.

Lease assignment

An assignment transfers lease rights from the current lessee to another entity.

The current lessee notifies the State that they wish to assign their lease to a new entity. DNR evaluates the new lessee's qualifications and may set conditions on the assignment. If all parties agree, an assignment fee is paid and the assignment documents are signed by all parties.

Lease expiration

DNR has the option to negotiate an expiring lease with the existing lessee.

If DNR decides not to negotiate, the lease expires and may be offered at public auction.

If DNR elects to negotiate, 180 days before lease expiration a public notice of negotiation is advertised in two local newspapers. The region office accepts other offers, called “bonus bids,” for 30 days after the advertisement date. Bonus bids must include:

- Proposed plan of operation, which may be to keep the land in its current use and/or crops or to change the use
- Evidence of the required minimum financial and managerial qualifications
- Cash bonus bid
- \$100 deposit

If a bonus bid is determined to be in the trust’s best interest and accepted by DNR, the existing lessee may match that bid. If matched, and if terms and conditions are agreed to for the next leasing period, the lease is awarded to the existing lessee. All bidders are notified, and bid money is returned to unsuccessful bidders.

If the existing lessee does not match the bonus bid, or if the lessee and DNR fail to agree on terms and conditions, the current lease expires. The lease is then offered at public auction with the bonus bid as the minimum one time cash bid.

PUBLIC LEASE AUCTION

When a new lease is offered or an existing lease has expired, the public auction process begins. Notice of Intent to Lease at Public Auction is published in two local newspapers at least 30 days prior to the auction. The public can inspect a ‘Notice of Leasing State Lands’ and sample lease on DNR’s website which is posted at least 30 days before the auction at:

- Commissioner of Public Lands Office, Olympia
- DNR region office (that manages the trust land parcel(s))
- Appropriate county auditor’s office
- On DNR’s website: www.dnr.wa.gov

The **sample lease** gives a legal description of the land and proposed lease terms, and the Public Auction Notice of Intent to Lease describes:

- Date, place, time, and auction type (oral or sealed bid)
- Qualification requirements
- Bidding procedure
- Rent structure, including target rental rates
- Guidance for Development Plan proposals
- Payment terms
- Improvements information
- How the lease will be awarded
- Other pertinent information

Bids must be submitted by the date and time indicated on the notice. The bid packets include proposed plans of development, and rental rates, and may include a one-time cash bonus bid. Bids are reviewed to ensure that requirements outlined in the notice have been

met. DNR may reject any and all bids when the interests of the state justify it. The bidder with the proposal that most benefits the trust is issued a lease. All bidders are notified and bid money is returned to unsuccessful bidders.

Public auctions are held at the DNR Region Office that manages the lease or at the county auditor's office for the county in which the land to be leased is located.

DNR offers nearly all initial leases at sealed bid auction in which the highest bid is awarded the lease. On occasion, an oral bid auction may be used. Once again the highest bid is awarded the lease.